



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH DEVELOPMENT AND ACQUISITION  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

ARMY TO  
ATTENTION OF

23 MAY 1987

SARD-PS

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Performance-Based Service Contracting (PBSC) Contract  
Review Check List

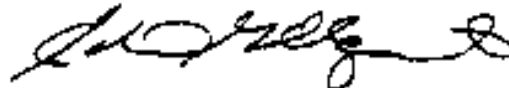
As you know, it is the policy of the Army to use PBSC methods to the maximum extent practicable. The Office of Federal Procurement Policy (OFPP) developed a check list that could be used by agencies to evaluate whether their contracts reflect the use of PBSC methods. Based upon comments received from various Army MACOMs and functional offices, we have revised this check list. (Attachment 1) In the past when we have surveyed the field, we have been told that the majority of our service contracts use PBSC methods. In order to objectify a somewhat subjective process, I'm requesting that you use the attached check list to help you classify your newly awarded service contracts as: PBSC, partially PBSC, or non-PBSC. This classification should be accomplished by your Competition Advocates. Use the service classifications as contained in the Department of Defense Procurement Coding Manual, excluding R&D, Construction and A-E.

Since contracts for services vary widely on such matters as type of service acquired, contract size, period of performance, complexity, dollar value, and importance to mission, it would be impossible to develop a meaningful universal structure that could be used to "grade" all contracts. For example, it probably would be inappropriate and unnecessarily cumbersome to develop a very detailed Government quality assurance plan of a set of incentives for a \$100,000 landscaping services contract building at a remote site. On the other hand, such PBSC methods would be more appropriate to a \$10 million landscaping contract for a national monument that receives many visitors. Accordingly, the attached check list avoids specifying relative weights for the check list criteria. Additionally, the check list should not be used in a manner that diminishes the importance of professional judgments by trained reviewers or contracting officials.

It should be emphasized that the use of PBSC may be limited to portions of contracts, especially for initial efforts at the conversion of large complex efforts. In these cases, you should consider whether the conversions covered as much of the scopes of work as is practicable.

Request that you review and classify all newly awarded service contracts with a total estimated value of \$250,000 or greater and provide me the results of your analysis. Contracts for construction, A-E and R&D, are excluded from this analysis and classification. This analysis should be rolled up by MACOM and should be provided quarterly on an FY basis. A sample format for MACOM submission is at Attachment 2. The submission for the second quarter of FY 97 is due June 30, 1997.

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Edward G. Elgart  
Acting Deputy Assistant Secretary of the  
Army (Procurement)

Attachments

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Acting ASA(RDA)  
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OFPP

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**Performance-Based Service Contracting (PBSC)  
Contract Review Check List**

**PBSC Requirements:**

1. (M) SOW contains objective, mission-related performance output requirements.
2. (M) SOW contains measurable, mission-related performance quality standards
3. (H) Contract contains positive and negative incentives (i.e., deduction schedules) based on Quality Assurance (QA) measurements.
4. (H) Commercial/industry-wide performance standards are relied upon where possible.
5. (M) Contract is not a term type.
5. (M) Use experience gained from recurring requirements to convert them to performance-based requirements.
7. (H) Contract is fixed-price.
8. (H) Marketplace and stakeholders are provided the opportunity to comment on draft performance requirements and standards, QA plan and incentives via draft solicitations and government/industry forums.
9. (M) Historic workload analysis is generated to aid in determining scope of requirement, or is estimated if not available.

**Requirements that are not PBSC per se, but can "make or break" the effectiveness of PBSC:**

1. (H) Contract award is competitive.
2. (H) Best value evaluation/selection is used.
3. (H) Informal conflict resolution methods are available (e.g., ADR, ombudsman).
4. (M) Contract contains government quality assurance (QA) plan to measure performance vs. standards.
5. (H) Multiyear authority is used if available.

All of the above requirements also apply to individual task orders issued under a task order contract and individual projects and/or responsibilities assigned under a major site management contract.

(M) Mandatory

(H) Highly desirable

	<u>Numbers of Contracts</u>	<u>Dollar Value</u>
PBSC	XX	\$
Partially PBSC	XX	\$
Non-PBSC	XX	\$
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MACOM Total	XX	\$